

The 2nd International Conference on Business and Banking Innovations (ICOBBI)
“Nurturing Business and Banking Sustainability”
Surabaya, 14th - 15th August 2020

Proceeding Book of
The 2nd International Conference on Business and Banking Innovations
(ICOBBI) 2020
“Nurturing Business and Banking Sustainability”
Surabaya, 14 - 15th August 2020

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Indonesia**

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FOREWORD

Alhamdulillah, praise be to Allah Subhanahu Wa Ta'ala for granting us the opportunity to organize and publish the proceedings of the 2nd International Conference on Business and Banking Innovations (ICOBBI) with the topic “*Nurturing Business and Banking Sustainability*”. This proceeding contains several researches articles from many fields in Marketing, Management Technology, Finance, Banking, Human Resources Management, Information System Management, and Islamic Economics.

The 2nd International Conference on Business and Banking Innovations was held on 14th – 15th August 2020 by virtual (online) meeting and organized by the Master Management Study Program of STIE PERBANAS Surabaya in Collaboration with six Higher Education Institutions in Indonesia and five Universities from Asia countries. Keynote speakers in this conference were: Prof. Angelica M..Baylon, Ph.D (Director of the Maritime Academy of Asia and the Pacific, Philippines), Chonlatis Darawong, Ph.D. (Head of the Master of Business Program Sripatum Chonburi University - SPU Graduate School Bangkok, Thailand), Prof. Madya Dr. Reevany Bustami (Director of Centre for Policy Research and International Studies Universiti Sains Malaysia), Associate Prof. Dr. Ellisha Nasruddin (Graduate School of Business Universiti Sains Malaysia), Associate Prof. Pallavi Pathak Ph.D. (School of Management Sciences, Varanasi, India) and Prof. Dr. Tatik Suryani (Head of the Master of Management Study Program of STIE Perbanas Surabaya, Indonesia).

I would like to give high appreciation to the Rector of STIE Perbanas Surabaya for his support at this event. Acknowledgments and thank you to all the steering and organizing committees of the ICOBBI for the extra ordinary effort during the conference until this proceeding published. Thank you very much to all presenter and delegates from various Universities. Beside it, I would like to express our gratitude to the six universities, namely Universitas 17 Agustus Surabaya, Universitas Surabaya, Universitas Dr. Soetemo Universitas Dian Nuswantoro Semarang, STIE 66 Kendari, Institut Institut Bisnis dan Keuangan Nitro Makassar which has been the co-host of this event.

Hopefully, the proceeding will become a reference for academics and practitioners, especially the business and banking industry to get benefit from the various results of the research field of Business and Banking associated with Information Technology. Proceedings also can be accessed online on the website <https://pascasarjana.perbanas.ac.id>.

Chair of the Master Management Study Program
STIE Perbanas Surabaya

Prof. Dr. Tatik Suryani, M.M.

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Leaping Innovation Barriers for Business Longevity Purpose Based on Different Measurements of Innovation

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ABSTRACT

This article discusses that every business will face challenges to survive in the market. Therefore, continuous innovation is a step that must be taken by business people to be able to maintain their business continuity. Innovation is an intangible asset condition that every business should have. However, there will be obstacles to achieving innovation faced by businesses. Barriers to innovation may arise from the company's internal environment or external market conditions that are quite influential for the business. Therefore, business owners must be able to overcome innovation barriers by creating a positive and innovative business environment, especially in this pandemic era. The balance of innovation in each line of business will be able to encourage longevity and sustainable performance in the business. Unfortunately, there is no standard measure for business innovation. The success of a business innovation is highly dependent on the ability of leaders to execute their innovative ideas and the enthusiastic response of their subordinates.

1. INTRODUCTION

The growth of SME (Small and Medium-Sized Enterprises) or in Indonesia better known as UMKM (Micro, Small and Medium Enterprises) is a driver of a country's economic growth. The size of a business will affect its flexibility to the latest business developments. Businesses with small scale businesses, even with minimal capital and simple equipment, tend to move more quickly under the command of the business leader in the bureaucratic and decision-making processes. This makes MSME businesses flexible in adapting to changes and adopting new business strategies. Meanwhile, large scale companies usually have a fairly difficult bureaucratic process so that they are less flexible in making quick decisions. Changes in technology, globalization, and knowledge force organizational leaders to implement new business strategies to survive in a competitive business environment. Changes in conditions that occur in the market encourage small-scale businesses to innovate.

Innovation is a new idea that is different, which has never existed before. According to Csath (2012), innovation is an increase in any area of business; not only about products, services and processes but also in terms of leadership, human resources, organization, marketing and other activities. Innovation can produce something good or even bad, when viewed from its goals. In practice, innovation must also be measured or evaluated. Accounting science that is used to measure or assess the prospect of an innovation is called innovation accounting. This study also looks at the importance of innovation for business competitiveness. Hall (1992, 1993) and Teece (1998) highlight the importance of intangible assets as a source of competitive advantage and long-term value creation for businesses (Lopez, Somohano, Martinez, 2013).

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Cetinkaya, Bozkurt and Kalkan (2014) show that types of innovation include new product development, new production methods, new markets, new marketing methods, new distribution channels and also organizational innovation. Product innovation consists of developing new products and services, or increasing the amount of market demand for existing products. Meanwhile, process innovation includes changes in methods, equipment, and / or software used. Then what is meant by market innovation includes selling and creating new market products or getting new customers for existing products. Organizational innovation is developing or implementing new, better organizational systems and sub-systems. Whether the innovations made are product innovation, process innovation, market innovation, or organizational innovation, will result in a dynamic innovation process involving internal and external factors of the company.

The purpose of this research is applied research in which the author wants to provide insights and suggestions to readers on how to get rid of the barriers to innovation for the sustainable achievement of a business age. The following are things that affect innovation in a business, including organizational transformation, performance excellence, efficiency and effectiveness, networking, and sustainability. Organizational culture can both help and become a hindrance in small businesses. It takes special efforts from organizational leaders to be able to effectively manage HR working together to achieve innovation performance in small businesses. The existence of interaction and a positive environment between leaders, employees and the team will facilitate the creation of new ideas to innovate in business. One stream of research believes that organizational resources are scarce, cannot be replicated, cannot be substituted, and lead to differences in performance (Barney et al. 2011). Yet other theorists believe that organizational resources have potential value and that organizational capabilities drive performance differences. Small businesses must continue to innovate and be agile in adapting to market changes by increasing the business's ability to survive in the competition. When resources and capabilities are combined, it will be effective and efficient as a result to drive organizational performance.

A major problem facing organizational management is driving productivity and performance to ensure business survival and growth. Small businesses have an advantage in terms of limited bureaucracy so that they are agile enough to make changes to business strategies. What is needed in this case is a quick response that supports quality services and product competitiveness, which are often the main performance measurement indicators in achieving efficiency and performance effectiveness. Not to forget, networking is an important element of innovation. Small organizations can take advantage of sources of knowledge outside the company to gain quick access to new technologies, new markets, economic benefits in developing production efforts and share risks beyond the scope of the company's capabilities (Zeng et al., 2010). Innovation is also one of the main drivers of sustainable competitive advantage. Organizations need revolutionary thinking to achieve innovation. But innovation can also be achieved based on how the organization executes its business strategy.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

This scientific literature review will present innovations from the point of view of traditional and modern accounting. Measuring innovation can be done by using a variety of measuring instruments according to the accounting information required. There are accounting-based measurement methods that consider innovation as an intangible asset. However, there is also a classification of innovation applied consisting of seven categories, namely product, organization, strategy, marketing, process, technology and management innovation (Stankevice 2010; Baltisti, Stoneman 2010; Damanpour, Aravind 2012; Lindgren 2012 et al.). This classification can be said to be broader than previous research conducted by other authors (Schumpeter 1934; Johne 1999; Meluzin 2008; EPSIS 2013), namely using product, process, market and organizational innovation classifications.

In this literature review, the authors highlight the argumentation model and present several things that are determinants of innovation in the formation of business strategy models. Then the authors also discuss the use of 2 kinds of measuring innovation, namely traditional accounting and modern accounting, which are divided into the 7 categories previously mentioned. Likewise, the authors add an innovation assessment in terms of financial, management and social accounting that is consistent with the classification.

In financial accounting, assets that create innovative activities are recorded as intangible assets in financial

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statements. The legal requirement defines an intangible asset as a non-monetary asset that can be identified without physical substance and is controlled by a company that expects to obtain direct or indirect economic benefits from the use of the asset. Examples: brands, patents, licenses, copyrights, and so on. The main problem associated with recognizing intangible assets is the application of control criteria. Intangible assets are recognized as playing an important role in economic growth even though the impact is difficult to measure. Management accounting is applied to calculate the cost of products, services and other objects including innovation activities. (Hansen et al, 2007). In a management accounting perspective, innovations are usually included in selling costs or recognized as period costs. Social accounting has broader and more flexible disclosure limits than traditional accounting. The topics of social information disclosure are grouped into human resources, human and labor rights, product / service safety, environment and social (Zhang, Jang, 2008; Lanis, Waller, 2009; Holder-Webb et al, 2009; GRI G4, 2013). One of the most important quantitative indicators of social accounting related to innovation is investment in R&D.

In order to achieve a successful business innovation, there were some barriers that should be eliminated in business environment, such as fear of failure, lack of leadership, short term thinking, lack of resource/capacity, lack of collaboration, no time, lack of focus, lots of idea but not delivery to market, no clear process, and lack of urgency (Gower 2015). There are no guarantees that any new idea will work. Sometimes business must accept failing as an important part of learning, development and progress. Business innovation must be led from the top. If super ordinates do not support or are not in agreement as to the strategic importance of innovation as a business driver, business will continue to do what they have always done. A lot of ideas usually appear in organizations but there's no real action to realize because of lack of resources/capacity to execute and less collaboration between stakeholder. Any new innovation is expected to have immediate impact. Inadequate research and rush processes, leading to failure, the idea being ditched and innovation being perceived as not working. Need focus to make a clear process in order to realize ideas with strategic timetable.

3. RESEARCH METHOD

The combination of a balance between exploratory and exploitative innovation in the organization will produce the best ability to achieve long-term business survival (Chang & Hughes, 2012: 2). Some of the factors that become determinants of innovation according to Taneja, Prior, and Hayek (2016) include entrepreneurial tendencies; passion for creating; inventing; innovating; innovation capabilities (resources, skills and management); customers and potential customers; encouragement of risk taking (structure and cultural support). Cohen and Winn (2007) emphasize that "market imperfections generate sustainable opportunities for entrepreneurs, including inefficient companies, externalities, flawed pricing mechanisms and information asymmetry". Meanwhile, Dobni et al. (2015) emphasize that innovation consideration including leadership, resources, knowledge management and strategic implementation support innovation. Small businesses also need to be more customer-centered. In today's digital era, customers are becoming increasingly careful in differentiating product advantages, so business owners must be able to create competitive advantages over their products and services.

The five determinant components of innovation previously mentioned, an element of an innovation culture centered on a small business innovation strategy model is formed as shown below.

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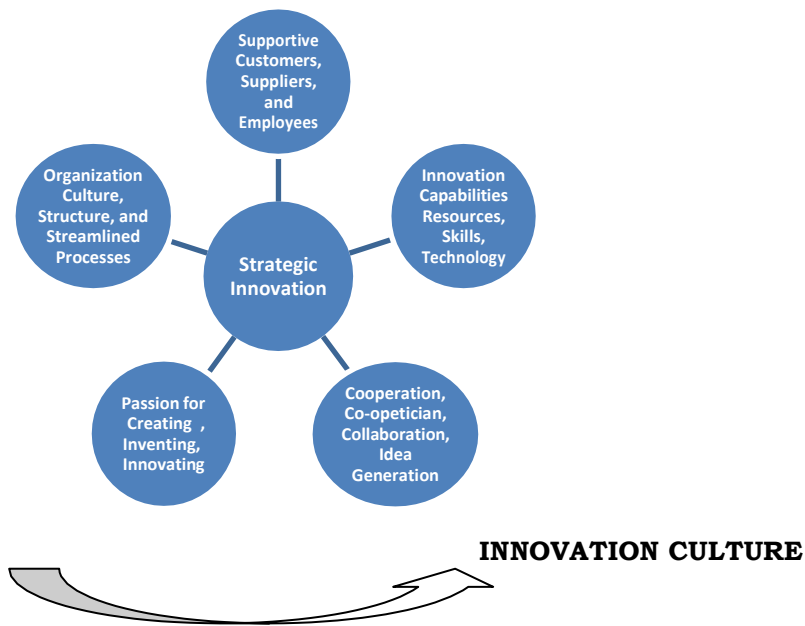


Figure 1 Strategic Innovation for Small Business Viability

Source : Taneja, S., Prior, M.G., dan Hayek M. (2016)

1. *Passion for Creating, Inventing and Innovating*
This is a passion of small business owners because they create business through the products and services they provide.
2. *Cooperation, Collaboration, and Co-opetition*
Cooperation and collaboration are essential elements for employees in organizations as well as with external customers and suppliers. However, cooperation with similar companies which are direct competitors is also required. This is known as a co-opetition.
3. *Internal Innovation Capabilities*
In order to be strategically innovative, organization must have the necessary resources including the workforce, skills and technology. If not found in the organization, the leader should seek alliances with other companies.
4. *Organizational Culture, Structure and Streamlined Processes*
Leaders must build a culture and structure that supports innovation and refines the process so that it is uncomplicated and does not negatively impact performance excellence.
5. *Supportive Customers, Suppliers and Employees*
Strategic innovation depends on all process stakeholders, including customers, suppliers and employees, supporting and taking ownership of the innovation process.

4. DATA ANALYSIS AND DISCUSSION

The discussion of the assessment and disclosure of accounting innovations are as follows. Traditional accounting includes financial and management accounting, while modern accounting includes social accounting.

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Tabel 1. The Valuation of Innovation in Traditional and Modern Accounting

Accounting Type		Innovation Categories / Valuation and Disclosure in Accounting						
Traditional Accounting	Financial	Product	Process	Technology	Organizational	Strategy	Management	Marketing
		Intangible Asset					Expenses	
		Expenses			Non-Manufacturing Costs			
	Management	Manufacturing Costs			Administrative Costs			Selling Costs
Modern Accounting (Social)	Safety & Responsibility of Product / Service	+	+	+				+
	Labour	+	+	+	+	+	+	
	Environmental	+	+	+	+	+	+	+
	Human Rights Social	+	+	+				

(+) Demonstrate disclosure of innovations in social accounting Source : Dainiene, R and Dagiliene L. (2014)

Thus the explanation from the table above is as follows. Because there are no standard provisions in social accounting, this area of accounting includes product / service safety and responsibility, labor, environment, human and social rights. Product, process, and technology innovations can be recognized as intangible assets in financial accounting because the recognition criteria are met. Organizational, marketing, management and strategic innovations are recognized as expenses when they occur, such as advertising, staff training, and company reorganization and so on. Production costs include product, process and technology innovation activities in management accounting. Non-manufacturing costs include other innovations as administrative costs, namely those related to company management, human resources, and general, except for marketing innovations which are a category of selling expenses. Product, process and technology innovations can be captured in all areas of social accounting depending on the activity and scope of influence. Organization, strategy and management innovation can be expressed only in the areas of human and labor rights and the environment. Innovative marketing ideas and tools must be safe to make products environmentally friendly. There are no innovations commonly expressed in the social field.

Potential barriers to innovation include the following. Small businesses face a lot of pressure in the R&D and innovation efforts they can do because of limited resources (money, time and manpower), dis-economical scale, lack of reputation and capabilities. Small businesses are also more vulnerable to dynamic environmental forces and vulnerable to economic pressures. The causes can be many factors such as limited customers, fluctuations in demand that exceed business capacity, less strategic markets and so on. In the small business sphere, creating an environment that helps employees overcome barriers to innovation can effectively move innovation to the next level.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

SME (Small and Medium-Sized Enterprises) or MSMEs stimulate the passion for innovation, provide employment, foster competitiveness and support overall economic growth, also have ability to adapt quickly to change, adopts new strategies, and provides flexibility to drive strategic innovation. In the rapidly changing competitive market conditions, Small business leaders can learn from this paper to strengthen their competitive ability to use successful strategic innovations to sustain long-term business continuity and have a positive impact on society.

Innovation is an intangible asset of a company that creates long-term value. However, their innovations are not always recognized as intangible assets in financial and management accounting. Financial and

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management accounting does not provide complete information about the value of innovation. It is much easier to find all the information about the company's financial and non-financial information in one unified report. Integrated reporting (as a separate development from social accounting) is a process founded on integrated thinking that produces periodic integrated reports by companies on value creation over time. The innovation assessment should be included in the indicators of the added value of the company in the short and long term. This study is limited to two variables measuring innovation only, a cross between marketing and accounting perspectives. The next researcher can develop using another method to find the other combinations of innovations.

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